



June 1, 2007

**TO:** County Executive, Santa Clara County  
City Managers, Cities in Santa Clara County

**FROM:** Neelima Palacherla, <sup>VP</sup>LAFCO Executive Officer

**SUBJECT:** LAFCO Final Budget for Fiscal Year 2007-2008

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At the May 30, 2007 meeting, LAFCO adopted its Final Budget for Fiscal Year 2007-2008. Please see the attached staff report and Final Budget for FY 2007-2008. The County Auditor will bill the cities and the County for LAFCO costs based on the Final Budget adopted by LAFCO. Costs to individual cities will be based on the most recent edition of the Cities Annual Report published by the Controller.

Please call me at (408) 299-5127 or email me at [neelima.palacherla@ceo.sccgov.org](mailto:neelima.palacherla@ceo.sccgov.org) if you have any questions about the attached staff report or the final budget.

**Attachments:**

Staff Report and Final LAFCO Budget for FY 2007-2008

**cc:** Board of Supervisors, Santa Clara County  
City Council Members, Cities in Santa Clara County  
Santa Clara County Cities Association



LAFCO Meeting: May 30, 2007

TO: LAFCO

FROM: Neelima Palacherla, Executive Officer

SUBJECT: **Proposed Final Budget FY 2007-2008**  
Agenda Item # 6

## **STAFF RECOMMENDATION**

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1. Adopt the Final LAFCO Budget for fiscal year 2007-2008. (Attachment A)
2. Find that the Final FY-08 Budget is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the final budget adopted by the Commission including the estimated agency costs to each of the cities, the County and the Cities Association.
4. Direct the County Auditor-Controller to apportion LAFCO costs to cities and the County using the most recent edition of the Cities Annual Report published by the Controller, and collect payments pursuant to GC § 56381.

## **BACKGROUND**

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### **LAFCO Budget and Adoption Process**

The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act) which became effective on January 1, 2001, requires LAFCO to annually adopt a draft budget by May 1 and a final budget by June 15 at noticed public hearings. Both the draft and the final budgets are required to be transmitted to the cities and the County. The CKH Act establishes that at a minimum, the budget must be equal to that of the previous year unless the Commission finds that reduced staffing or program costs will nevertheless allow it to fulfill its statutory responsibilities. Any unspent funds at the end of the year may be rolled into the next fiscal year budget. After the adoption of the final budget, the County Auditor is required to apportion the net operating expenses of the Commission to the agencies represented on LAFCO.

## **CHANGES TO THE DRAFT / PRELIMINARY BUDGET**

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The Commission on April 4, 2007, adopted the preliminary budget for Fiscal Year 2007-2008. The preliminary budget was prepared using the best information available at that time. Since then, staff has been able to make closer estimates for end of year expenses and is proposing revisions based on this information. Also, LAFCO has received higher revenues in the current year than was estimated in the preliminary budget.

Taking all these changes into consideration, **the actual operating expenses are reduced to \$543,283, which represents a small reduction in LAFCO's net operating costs from the draft preliminary budget.** Presented below are the proposed revisions to items:

### **EXPENDITURES**

#### **5258200 INTRA-COUNTY PROFESSIONAL (end of year projection for FY 2007)**

The end of year estimate for this item is being increased by \$10,000 to \$122,400. During the current fiscal year, LAFCO has exceeded the budgeted number of hours for the services of county counsel. LAFCO had budgeted for 300 hours for FY 2007. To date we have used 340 hours.

#### **5250250 PUBLICATIONS AND LEGAL NOTICES (end of year projection for FY 2007)**

The end of year estimate for this item is being increased by \$1,500. The State Department of Fish and Game has increased their charges for filing the Notice of Determination.

### **REVENUES**

#### **4103400 LAFCO APPLICATION FEES (end of year projection for FY 2007) (Increase from \$40,000 to \$58,000)**

LAFCO collected about \$18,000 more in revenues than what was anticipated in the year-end projections, which was estimated at \$40,000. Depending on application activity prior to close of this fiscal year, it is possible that additional revenues may be collected.

#### **4301100 INTEREST (end of year projection for FY 2007) (Increase from \$14,000 to \$16,500)**

It is estimated that LAFCO will receive \$2,500 more in interest than the \$14,000 that was projected for the end of this current year.

**NET LAFCO OPERATING EXPENSES**  
**(Decrease from \$548,683 to \$543,283)**

As a result of the above listed estimated changes in costs and revenues, the net operating expenses of LAFCO for FY 2007 are reduced from \$548,683 in the Draft Budget to \$543,283 in the Final Budget. This would correspondingly reduce the costs to agencies.

**BUDGET RELATED ISSUE: LAFCO STAFF RECLASSIFICATION STUDY**

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In June 2003, LAFCO requested the County to establish unique classifications for the LAFCO Executive Officer and LAFCO Analyst positions pursuant to the MOU between the County and LAFCO. It is expected that the classification study will be completed soon. It is also possible that the study will have budget implications for LAFCO due to potential changes in position salaries. Staff will keep the LAFCO budget subcommittee informed and will bring the issue back to the full commission for any necessary final action with the subcommittee recommendation.

**COST APPORTIONMENT TO CITIES AND COUNTY**

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The CKH Act requires LAFCO costs to be split in proportion to the percentage of an agency's representation (excluding the public member) on the Commission. Since the City of San Jose has a permanent membership on Santa Clara LAFCO, the law requires costs to be split between the County, the City of San Jose and the remaining cities. Hence the County pays half the LAFCO cost, the City of San Jose a quarter and the remaining cities the other quarter. The cities' share (other than San Jose's) is apportioned in proportion to each city's total revenue as reported in the most recent edition (2004-2005) of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county.

The CKH Act requires the County Auditor to apportion the costs to the various agencies and to request payment from the cities and the County no later than July 1 of each year for the amount each agency owes based on the net operating expenses of the Commission and the actual administrative costs incurred by the Auditor in apportioning costs and requesting payment.

Provided in the table is the draft apportionment to the agencies based on LAFCO's net operating expenses for FY-08 (\$543,283). Cost to individual cities is detailed in Attachment B.

**Costs to Agencies**

	FY 06-07 Costs	FY 07-08 Costs
County of Santa Clara	\$215,205	\$271,642
City of San Jose	\$107,603	\$135,821
Remaining 14 cities in the County	\$107,603	\$135,821

**ATTACHMENTS**

Attachment A: Final Budget for FY 2007-2008

Attachment B: 2007-2008 LAFCO Cost Apportionments to Cities and the County

ITEM #	TITLE	APPROVED FY 06-07 BUDGET	END OF FY 2007 PROJECTIONS	FINAL FY 07-08 BUDGET
<b>EXPENDITURES</b>				
Object 1:	Salary and Benefits	\$307,637	\$307,637	\$331,889
Object 2:	Services and Supplies			
5258200	Intra-County Professional	\$112,400	\$122,000	\$134,200
5255500	Consultant Services	\$100,000	\$60,000	\$100,000
5210100	Food	\$750	\$600	\$750
5220200	Insurance	\$281	\$281	\$447
5250100	Office Expenses	\$2,000	\$1,000	\$2,000
5255650	Data Processing Services	\$15,689	\$5,000	\$13,459
5225500	Commissioners' Fee	\$5,400	\$4,500	\$5,400
5260100	Publications and Legal Notices	\$1,000	\$2,500	\$2,500
5245100	Membership Dues	\$4,000	\$4,000	\$5,500
5250750	Printing and Reproduction	\$1,500	\$1,500	\$1,500
5285800	Business Travel	\$10,500	\$10,500	\$10,500
5285300	Private Automobile Mileage	\$1,200	\$1,200	\$1,500
5285200	Transportation&Travel (County Car Usage)	\$1,500	\$1,500	\$1,500
5281600	Overhead	\$27,531	\$27,531	\$42,492
5275200	Computer Hardware	\$2,000	\$2,000	\$2,000
5250800	Computer Software	\$2,000	\$2,000	\$2,000
5250250	Postage	\$2,000	\$2,000	\$2,000
5252100	Staff Training Programs	\$2,000	\$1,000	\$2,000
5701000	Reserves	\$90,000	\$0	\$100,000
<b>TOTAL EXPENDITURES</b>		<b>\$689,388</b>	<b>\$556,749</b>	<b>\$761,637</b>
<b>REVENUES</b>				
4103400	Application Fees	\$30,000	\$58,000	\$50,000
4301100	Interest: Deposits and Investments	\$5,000	\$16,500	\$7,000
<b>Total Interest / Application Fee Revenue</b>		<b>\$35,000</b>	<b>\$74,500</b>	<b>\$57,000</b>
4600100	Cities (Revenue from other Agencies)	\$215,205	\$215,205	
5440200	County	\$215,205	\$215,205	
<b>Savings/Fund Balance from previous FY</b>		<b>\$223,978</b>	<b>\$213,193</b>	<b>\$161,354</b>
<b>TOTAL REVENUE</b>		<b>\$689,388</b>	<b>\$718,103</b>	
<b>NET LAFCO OPERATING EXPENSES</b>		<b>\$430,410</b>		<b>\$543,283</b>
<b>COSTS TO AGENCIES</b>				
	County	\$215,205		\$271,642
	City of San Jose	\$107,603		\$135,821
	Other Cities	\$107,603		\$135,821



## 2007/2008 LAFCO COST APPORTIONMENT

### Estimated Costs to Agencies Based on the FINAL Budget

LAFCO Net Operating Expenses for 2007/2008				\$543,283
Jurisdictions	Revenue per 2004/2005 Report	Percentage of Total Revenue	Allocation Percentages	Allocated Costs
County	N/A	N/A	50.0000000%	\$271,641.50
San Jose	N/A	N/A	25.0000000%	\$135,820.75
Campbell	\$33,583,551	2.3221444%	0.5805361%	\$3,153.95
Cupertino	\$44,567,482	3.0816315%	0.7704079%	\$4,185.49
Gilroy	\$87,762,328	6.0683516%	1.5170879%	\$8,242.08
Los Altos	\$29,341,524	2.0288282%	0.5072070%	\$2,755.57
Los Altos Hills	\$9,803,619	0.6778741%	0.1694685%	\$920.69
Los Gatos	\$29,227,240	2.0209260%	0.5052315%	\$2,744.84
Milpitas	\$79,213,756	5.4772581%	1.3693145%	\$7,439.25
Monte Sereno	\$1,926,533	0.1332107%	0.0333027%	\$180.93
Morgan Hill	\$62,734,560	4.3377994%	1.0844498%	\$5,891.63
Mountain View	\$149,284,097	10.3222922%	2.5805731%	\$14,019.81
Palo Alto	\$304,096,000	21.0268062%	5.2567015%	\$28,558.77
Santa Clara	\$384,386,866	26.5785414%	6.6446354%	\$36,099.17
Saratoga	\$15,767,551	1.0902519%	0.2725630%	\$1,480.79
Sunnyvale	\$214,534,993	14.8340844%	3.7085211%	\$20,147.76
Total	\$1,446,230,100	100.0000000%	100.0000000%	\$543,282.98
<b>Total Cities</b>				<b>\$135,822.73</b>

\* The 2004-2005 Report is the most current available to date.

